

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Gregory C. (“Greg”) Hill was a candidate for the California State Assembly in the September 13, 2005 special primary election for the 53<sup>rd</sup> Assembly District. At all relevant times, Respondent Greg Hill for Assembly ‘05 (the “Committee”) was the controlled committee of Respondent Greg Hill, and Respondent Betty Presley was the treasurer of Respondent Committee.

This case arose from a Franchise Tax Board (“FTB”) audit of Respondents’ campaign activities for the reporting period January 1, 2005 through December 31, 2005. During the audit period, Respondents received contributions totaling \$70,063, and made expenditures totaling \$71,484. Respondent Committee was formed on July 18, 2005, and terminated effective December 31, 2005. However, Respondent Hill withdrew from the special election on August 12, 2005. The September 13, 2005 special primary election, with a run-off election scheduled for November 8, 2005, was held to fill a vacancy in the 53<sup>rd</sup> Assembly District caused by the death of Assemblyman Michael Gordon. Assemblyman Gordon, a Democrat, had been elected in the November 2004 general election, defeating Respondent Hill, who was the Republican candidate.<sup>1</sup>

The Political Reform Act (the “Act”)<sup>2</sup> limits the amount of contributions that may be accepted by or made to a candidate for elective state office. In 2005, the contribution limit in effect for state legislative campaigns was \$3,300 per candidate per election. The Act also mandates that candidates and committees disclose on campaign statements specific information regarding any loan of \$100 or more that is received, including the source of the loan.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

**COUNT 1:** On or about July 29, 2005, Respondents Gregory C. Hill, Greg Hill for Assembly ‘05, and Betty Presley accepted a contribution in excess of the \$3,300 per person contribution limit in connection with the September 13, 2005 special primary election by receiving a loan from Marbella Concepts & Designs, LLC, in violation of Government Code Section 85301, subdivision (a).

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<sup>1</sup> In 2004, Respondent Hill ran a significant legislative campaign raising over \$740,000 in contributions, but losing to Assemblyman Gordon by only 8% of the vote.

<sup>2</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

COUNT 2: On or about July 30, 2005, Respondents Gregory C. Hill, Greg Hill for Assembly '05, and Betty Presley accepted a contribution in excess of the \$3,300 per person contribution limit in connection with the September 13, 2005 special primary election by receiving a loan from Sherry Yi, in violation of Government Code Section 85301, subdivision (a).

COUNT 3: Respondents Gregory C. Hill, Greg Hill for Assembly '05, and Betty Presley failed to disclose the true source of a \$20,000 loan on a first pre-election campaign statement for the reporting period January 1, 2005 through July 30, 2005, filed on August 3, 2005, in violation of Government Code Section 84211, subdivision (g).

## **SUMMARY OF THE LAW**

### **Duty to Abide by Contribution Limits**

The Act imposes limits on the acceptance of contributions by candidates for elective state office. Section 82015, subdivision (a) defines a “contribution” as any payment, including a loan, made for political purposes for which full and adequate consideration is not made to the donor. Regulation 18215, subdivision (a) provides that a payment is made for political purposes if it is made for the purpose of influencing or attempting to influence the action of the voters for or against the nomination or election of a candidate, or if it is received by a candidate. Section 82007 defines a “candidate” to include an individual who receives a contribution or makes an expenditure with a view of bringing about his or her election to any elective office. Section 82024 defines “elective state office” to include the office of a member of the Legislature.

Under Section 85301, subdivision (a), a candidate for elective state office, other than a candidate for statewide elective office, may not accept from any person, other than a small contributor committee or political party committee, any contribution totaling more than \$3,000. Section 83124 requires the Commission to biennially adjust the contribution limit in Section 85301 to reflect changes in the Consumer Price Index. The contribution limit was adjusted to \$3,300 for elections held in 2005. Under Regulation 18531, subdivision (a), a candidate for elective state office is deemed not to have accepted a contribution in excess of the contribution limit if the contribution is returned prior to deposit or negotiation, within 14 days of receipt.

### **Duty to Disclose Information Regarding Loans**

On each campaign statement filed by a candidate or committee, Section 84211, subdivision (g) requires the reporting of the following information about any lender to the candidate or committee if the cumulative amount of loans received from the lender is \$100 or more, and the loans are outstanding during the reporting period covered by the campaign statement: (1) the lender’s full name; (2) the lender’s street address; (3) the lender’s occupation; (4) the name of the lender’s employer, or if self-employed, the name of the lender’s business; (5) the original date and amount of the loan; (6) the due date and interest rate of the loan; (7) the cumulative payment made at the end of the reporting period; (8) the balance outstanding at the end of the reporting period; and (9) the cumulative amount of contributions received from the

lender. Section 82018 defines “cumulative amount” to include the amount of contributions received in the calendar year.

### **Duty and Liability of Committee Treasurers**

Under Section 84100 and Regulation 18427, subdivision (a), it is the duty of a committee’s treasurer to ensure that all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds, are complied with. A committee’s treasurer may be held jointly and severally liable, along with the candidate and committee, for any reporting violations committed by the candidate and committee. (Section 83116.5 and 91006.)

### **SUMMARY OF THE FACTS**

Respondent Greg Hill was a candidate for the California State Assembly in the September 13, 2005 special primary election for the 53<sup>rd</sup> Assembly District. At all relevant times, Respondent Committee was the controlled committee of Respondent Hill, and Respondent Betty Presley was the treasurer of Respondent Committee.

Respondent Hill had experience in campaigning for state office, having run an extensive legislative campaign in 2004 for the seat he lost to Assemblyman Gordon. In addition, Respondent Hill was an experienced politician having served on the Redondo Beach City Council as a council member from 1993 through 1997, and as the city’s mayor from 1997 through 2005.

Respondent Committee was formed on July 18, 2005, terminated on December 31, 2005, but effectively ceased to operate on August 12, 2005 when Respondent Hill withdrew from the special primary election. During the brief campaign, Respondents received contributions totaling \$70,063, and made expenditures totaling \$71,484. On campaign statements filed for the special election, Respondents reported that Respondent Hill had loaned his committee \$20,000.

### **COUNTS 1-2**

#### **Accepting a Contribution in Excess of the Contribution Limits**

Since Respondent Hill was a candidate for elective state office in 2005, Respondents Hill and Committee were prohibited from accepting a contribution, in the form of a loan, in excess of the \$3,300 contribution limit from any person other than the candidate, a commercial lending institution, or a small contributor or political party committee.

In this matter, Respondents accepted contributions in excess of the \$3,300 per person contribution limit in effect for legislative campaigns during 2005. On July 30, 2005, Sherry Yi, who was then Respondent Hill’s fiancée, issued a \$3,000 check to Respondent Hill as a loan for his campaign. On July 22, 2005, Sherry Yi had previously made a contribution in the amount of \$3,300 to Respondents Hill and Committee, and therefore, she was precluded from making any additional contributions to Respondent Hill’s campaign for the special primary election.

On July 29, 2005, Ms. Yi's solely owned company, Marbella Concepts & Designs, LLC, an interior design business, issued an \$18,000 check to Respondent Hill as a loan for his campaign. The amount of the loan clearly exceeded the \$3,300 contribution limit in effect for the special primary election.

On July 30, 2005, Respondent Hill deposited the two checks, totaling \$21,000, into his personal bank and issued a check in the amount of \$20,000 to Respondent Committee on the same day.<sup>3</sup>

According to the FTB audit, on August 8, 2005, Respondents issued an \$18,000 wire transfer to Respondent Hill in repayment of the loan issued on July 30, 2005. On August 10, 2005, Respondent Hill issued an \$18,000 check from his personal account to Marbella Concepts & Designs, LLC in repayment of the loan. The \$2,000 proceeds from the \$3,000 loan from Sherry Yi were not repaid by Respondents.

During interviews with the FTB auditor and Commission Investigator Elaine Olmos-Flores, Respondent Hill stated that he and Ms. Yi were engaged at the time of this campaign, were soon to be married, and were in the process of combining their assets.<sup>4</sup> As such, Respondent Hill incorrectly believed that the money Ms. Yi and her business loaned to his campaign was his money, and that he did not have to report them as the source of the loans on his campaign filings. In her interview with Investigator Olmos-Flores, Ms. Yi stated that she and her company loaned \$21,000 to Respondent Hill for his campaign, and that she did not think it was a problem because they were living together and had joined their assets in preparation for their marriage. According to her interview with Investigator Olmos-Flores, Respondent Presley stated that she was unaware that the funds for the \$20,000 loan received by Respondent Committee were not Respondent Hill's personal funds.

With regard to Count 1, Respondents violated the contribution limits set forth in Section 85301, subdivision (a) by accepting an \$18,000 loan from Marbella Concepts & Designs, LLC on July 29, 2005.

With regard to Count 2, Respondents violated the contribution limits set forth in Section 85301, subdivision (a) by accepting a \$2,000 loan from Sherry Yi on July 30, 2005.

### COUNT 3

#### **Failing to Disclose the True Source of a Loan**

As a candidate and as a controlled committee, Respondents had a duty to disclose required information regarding any loan of \$100 or more received by Respondent Committee. On or about July 29 and 30, 2005, Respondents received a \$20,000 loan from Sherry Yi and Marbella Concepts & Designs, LLC. As the loan from each person totaled \$100 or more,

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<sup>3</sup> According to the FTB audit, \$18,000 of the Marbella Concepts & Designs, LLC loan and \$2,000 of Ms. Yi's \$3,000 loan were used by Respondent Hill to make the \$20,000 loan to Respondent Committee.

<sup>4</sup> According to the FTB audit and the Commission's investigation, Respondent Hill's and Ms. Yi's bank accounts and business interests were not combined at the time the loans were made.

Respondents were required to report the receipt of that loan, and that Sherry Yi and Marbella Concepts & Designs, LLC were the sources of the loan, on any campaign statement covering a reporting period in which the loan was outstanding. On the pre-election campaign statement for the reporting period January 1, 2005 through July 30, 2005, Respondents incorrectly disclosed Respondent Hill as the source of the \$20,000 loan. As indicated in Counts 1 & 2, Respondent Presley stated she was unaware that the funds for the \$20,000 loan were not Respondent Hill's personal funds.

By failing to disclose Sherry Yi and Marbella Concepts & Designs, LLC as the true source of a loan of \$100 or more on the pre-election campaign statement for the reporting period January 1, 2005 through July 30, 2005, Respondents violated Section 84211, subdivision (g).

### **CONCLUSION**

This matter consists of three counts, which carry a maximum possible administrative penalty of \$5,000 per violation, for a total of Fifteen Thousand Dollars (\$15,000). Regarding Counts 1 and 2, the conduct of accepting a contribution in excess of the applicable contribution limit is a serious violation of the Act as it harms the integrity of the election process. In this case, the violation is mitigated because the bulk of the loan funds were returned to Marbella Concepts & Designs, LLC within nine days of the loan being made, and were never expended by the committee. In addition, Respondent Hill withdrew from the special election on August 12, 2005, and was no longer a candidate after that date.

In aggravation, Respondent Hill is an experienced candidate and elected official, having served on the Redondo Beach City Council as a council member and mayor for many years. In addition, Respondent Hill ran for the 53<sup>rd</sup> Assembly District seat in the 2004 primary and general elections, and therefore, knew or should have known of the applicable contribution limits for state legislative candidates. The administrative penalty for receiving a campaign contribution in excess of the limits has historically ranged between \$2,000 and \$5,000. Based on the factors in this case, an administrative penalty in the middle range is appropriate for Counts 1 and 2.

Regarding Count 3, the failure of Respondents to disclose Marbella Concepts & Designs, LLC and Sherry Yi as the true source of the \$20,000 loan on the first pre-election campaign statement operated to conceal that Respondents were in violation of the \$3,300 contribution limit then in effect. A typical administrative penalty for improperly reporting the true source of a loan has historically ranged between \$1,500 and \$3,500. Based on the factors in this case, a penalty in the middle range is appropriate for Count 3.

Accordingly, the facts and circumstances of this case justify the imposition of a total administrative penalty of Eight Thousand Five Hundred Dollars (\$8,500).